

III. IF A TRAVEL TAX IS APPLIED TO TOURIST CAR DELIVERIES AT ALL, IT SHOULD BE APPLIED ONLY TO THE FAIR RENTAL VALUE OF THE USE OF THE CAR ABROAD

Since a foreign car purchased domestically and one purchased abroad and imported into the United States have approximately the same cost, the benefit of taking delivery abroad is at most the elimination of the cost of renting a car or paying for public transportation while abroad. The bulk of the purchase price of the car cannot be said to be an expense of the foreign trip, but is a cost of using the car after it is brought back to the United States.

The Treasury Department itself has recognized that the purchase price of a car delivered abroad and later imported into the United States is not primarily an expenditure related to foreign travel. In determining whether a foreign car originally delivered abroad was "incidentally imported for personal use" and thus exempt from excise tax, the Treasury held in Technical Information Release 955, issued on January 5, 1968, that the importation was not exempt because "the ultimate use of the vehicle in the United States is an essential ingredient of, and a motivating force behind, the transaction. . . ." Thus, for excise tax purposes, the Treasury views the transaction as it would if the purchaser had not even left the United States. In contrast, the Treasury's travel tax proposal would treat the entire purchase price as a taxable "foreign travel expenditure" made solely in connection with the trip. The inconsistency between the two approaches is obvious.

Moreover, a travel tax imposed on the entire purchase price of the car would create an unjustified distinction between the tourist car delivery with subsequent importation on the one hand, and either mere rental abroad or purchase and resale abroad on the other. In the latter cases, the Treasury's technical explanation specifically states that the tax would be imposed on the rental payments or the loss on sale, that is, the costs directly related to use of a car while abroad. The individuals choosing these courses of action would then be free to purchase a foreign automobile upon returning to the United States without incurring the travel tax. The results, in terms of use of a car abroad, would be the same as in the tourist car importation situation, and the dollar drain even greater. Yet, under the program as presently formulated, the tourist car delivery would be subjected to a heavy tax upon the entire purchase price. Nothing could more clearly show that at most only the rental value of the foreign car for the number of days it is actually used abroad can be reasonably considered a foreign travel expenditure.

CONCLUSION

In our view, the proposed travel tax program should not be adopted. We believe that any effect it will have in curbing the outflow of dollars will be more than offset by its detrimental effects in provoking retaliatory measures from other countries, interfering with other important national aims, damaging travel-related businesses, and imposing heavy administrative burdens on our citizens.

Even if the Committee on Ways and Means concludes, however, that a travel tax should be adopted, we urge that it not be applied to cars delivered abroad and imported into the United States for the reasons detailed herein.

Respectfully submitted.

Kenneth Wellner, President, The Kemwel Automotive Group; Alex Cecil, President, Auto Europe, Inc.; Henry Roy, President, Europe by Car, Inc.; Victor Elmaleh, President, Cars Overseas, Inc.; Joel Gordon, Vice President, Car-Tours in Europe, Inc.; Thomas Nemet, President, Nemet International, Inc.; Hanna Borne, Ship-side Car Deliveries, Inc.; Lloyd de Mause, President, The Atlantic Plan, Inc.; Herbert Abbe, Vice President, The Hermann Ludwig Organization; Robert Simon, Vice President, Martin's Motor Sales, Inc.; John Weil, Vice President, Panocean Ship-A-Car System, Inc.; George Suhr, Vice President, The Kemwel Group, Inc.

MERCEDES-BENZ OF NORTH AMERICA, INC.,
Fort Lee, N.J., February 29, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR CHAIRMAN MILLS: In the belief that an important legal point is raised by the Administration proposal for the inclusion of tourist purchases of auto-